

## The value of my property as shown on the tax bill increased 2%.

Unless you own a single family home or condo that you bought after July 1, 2004, the value of your property as shown on the property tax bill probably went up by 2% from last year. You might wonder how is this possible when real estate values are dropping.

The answer is in the way property is valued under Proposition 13. Generally speaking, the assessed value of your property under Proposition 13 is established when you either buy or build the property. This is called the “base year value”. This base year value can only increase by 2% each year, even if the market value of the property increases at a significantly higher rate. In a rapidly increasing real estate market, like we experienced in the early 2000’s, the difference between the assessed value of your property and the actual market value can be substantial.

For example, look at the chart below. If you purchased your home in 2000 for \$240,000, the base year value is \$240,000. By 2004, the actual market value of your property had increased to \$420,000 but the assessed value, limited by 2% annual increases, had only increased to \$259,782. In 2005, the market value of your property began to drop. Even though the drop was significant, all the way down to \$320,000 by 2008, it was still more than the 2008 assessed value of \$281,194. If at some point in the future, the market value of your property drops below the assessed value, the 2% will not be applied and the actual market value of your property will be the assessed value for that year.

